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FARM PROGRAMS.

WHERE DO WE STAND?

U.S. DEPT. OF AGRICULTURE
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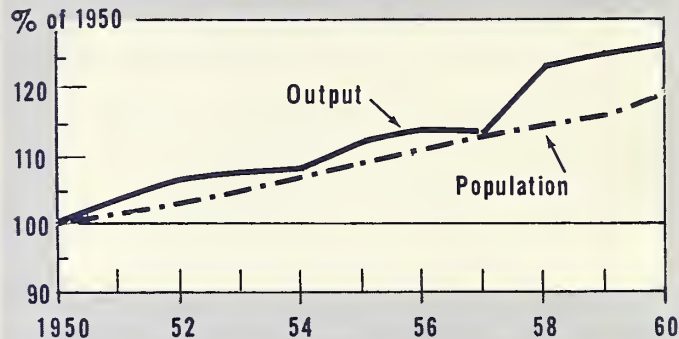
U.S. Department of Agriculture

1.

BACKGROUND

HOW TO LIVE WITH ABUNDANCE

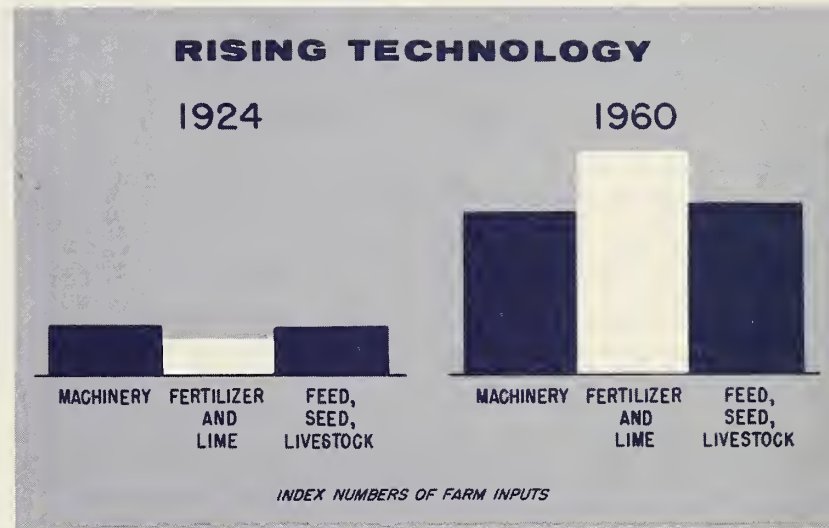
U.S. POPULATION AND FARM OUTPUT



The urgency of our situation has its roots in the revolution that is taking place in agriculture—the growth in technology that has sent production racing ahead of demand. Our inability to cope with abundance

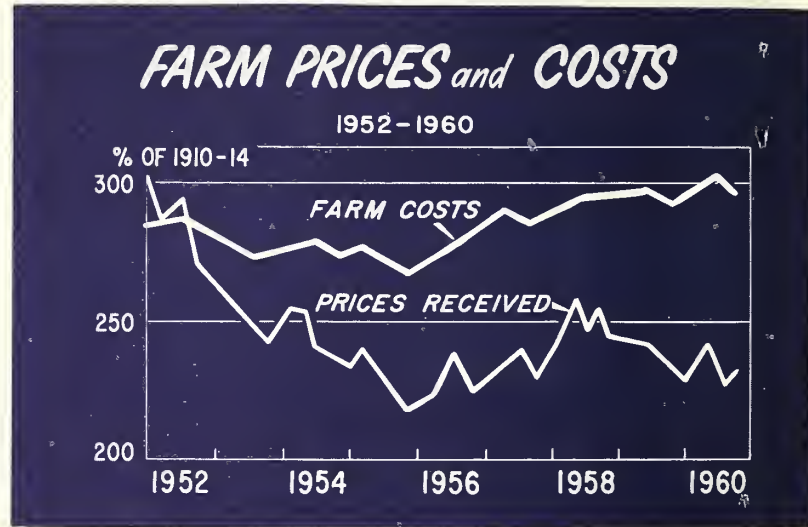
has brought a twin dilemma: The accumulation of vast stores of certain commodities at great expense, and a decline in farm income.

This spectacular rise in output has followed a rapid improvement in farm technology. Between 1924 and 1960, total farm inputs of mechanical power and machinery rose from 44 percent to 142 percent of the 1947-49 level. The use of fertilizer and lime rose from an index of 28 to an index of 192, and the inputs of purchased feed, seed and livestock from 42 to 149.

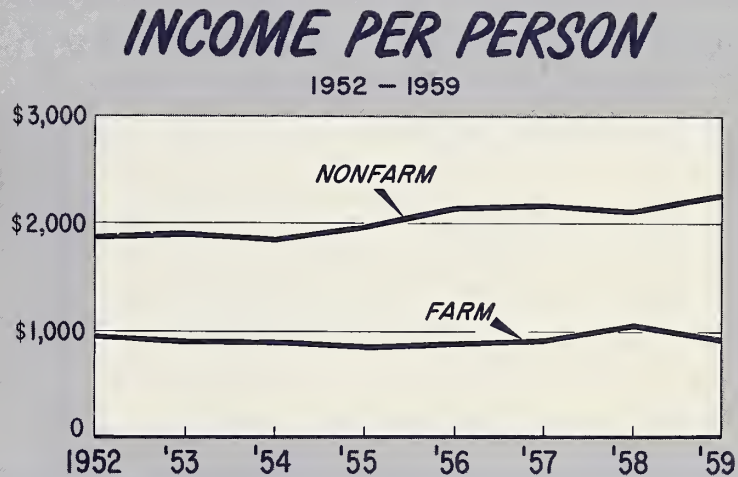


The cost-price squeeze

While farm prices fell, the farmer's production costs continued to rise—and the farmer's position grew steadily worse. In 1952, farm costs and farm prices received were pretty well in balance—both were about 290 percent of the base period, 1910-14. By 1960, prices had fallen to about 240 percent of the base period—and farm costs had risen to an index of about 300. Hence the cost-price squeeze.



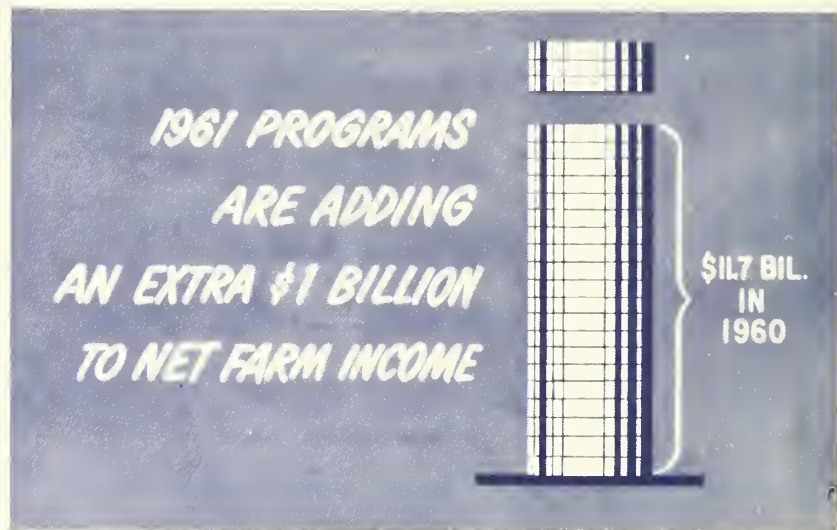
At the same time, the income of non-farm families moved steadily upward. In 1960, the per capita income of farm people was no more than half that of non-farm people. The average return for farm work was only 85 cents an hour—far below any decent standard of minimum wage, and little more than a third of the average wage for factory work in America.



2.

SITUATION

SOME
DEFINITE
STEPS
FORWARD



Early in 1961, the Government acted to: (1) Raise farm income, and (2) Halt the rise in Government feed grain inventories. First, price supports were raised on a number of commodities. Second, the 1961 Feed Grain Program was instituted, with incentive payments for growers who diverted corn and grain sorghum acreage into soil conserving uses. What have been the results? Net farm income in 1961 is estimated at least \$1 billion above 1960. Feed grain production in 1961 was below utilization for the first time since 1952—a direct result of the 1961 Feed Grain Program.

***1961 PROGRAMS
HAVE HALTED
THE BUILD-UP
OF FEED
GRAINS***

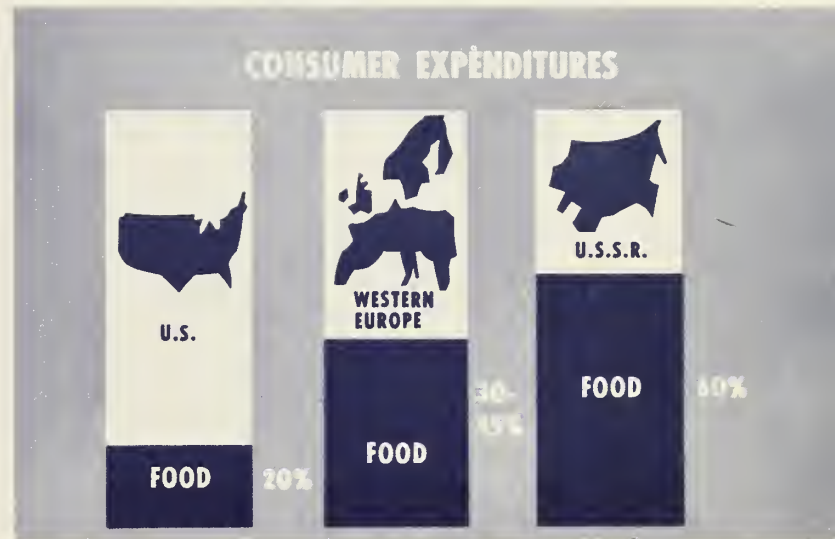


Food is a bargain

Meanwhile, food remains a bargain to consumers. Americans spend only a fifth of their take-home pay for food, compared with a fourth just before World War II. An hour of factory labor now buys more food than ever before. The cost of farm food is up 13 percent since 1947-49, but housing rose 33 percent, transportation 50 percent, and medical care 62 percent. Average take-home pay has risen 59 percent.



Consumers spend a smaller share of their income for food in America than anywhere else in the world. In western Europe—where living standards are relatively high—consumers spend between 30 and 45 percent of their after-tax incomes for food. In Russia, the proportion is more than 50 percent. American farmers have made possible our high standard of living.



3.

OLD QUESTION

WHAT
WOULD
HAPPEN
UNDER
'NO PROGRAM'?

Some still advocate the elimination of all farm programs. What would happen if all price supports and production adjustment programs were dropped? Studies by Iowa State and Cornell Universities and two studies published by Congressional committees *all showed the same thing*: Farm prices and income would drop sharply—bringing a prolonged farm depression that would affect the entire economy. A simple average of these projections shows how prices could be expected to drop within 4 years.

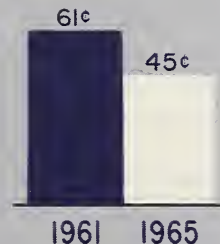
WHEAT



CORN



OATS



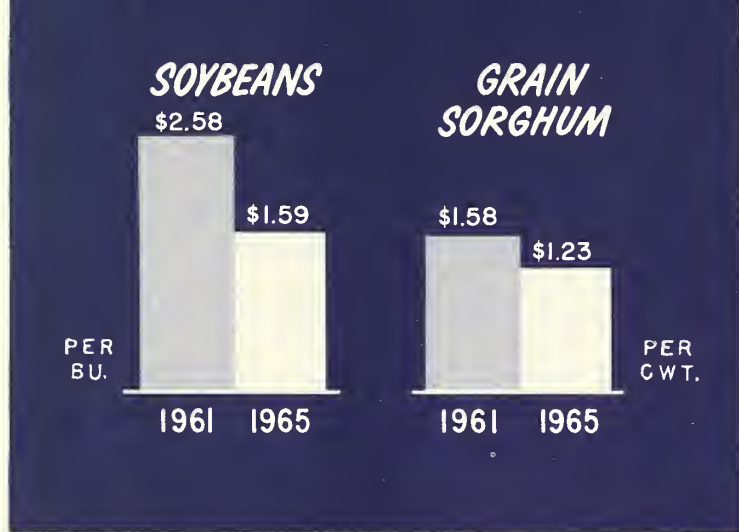
BARLEY



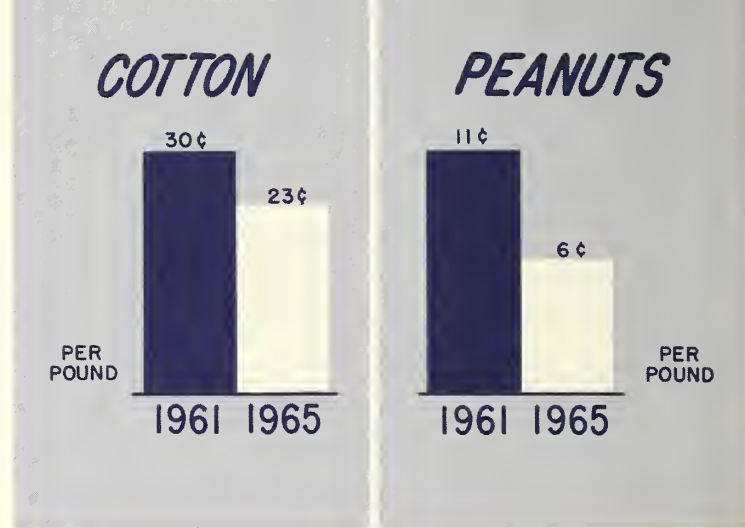
*Wheat prices would be sliced almost in half
corn by 21 percent.*

Oats and barley prices would drop more than a fourth.

Note: The 1961 prices are average farm prices for the first 9 months of the year.

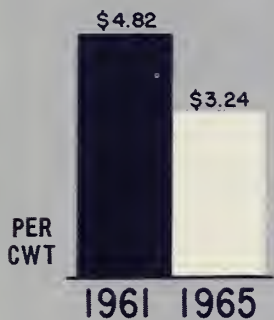


Soybean prices would decline 38 percent grain sorghum 22 percent.



Cotton prices would decline 23 percent peanuts 45 percent.

RICE



MILK



CATTLE



HOGS



** Rice prices would drop a third milk prices 17 percent.*

Cattle prices would drop more than a fourth hog prices 30 percent.

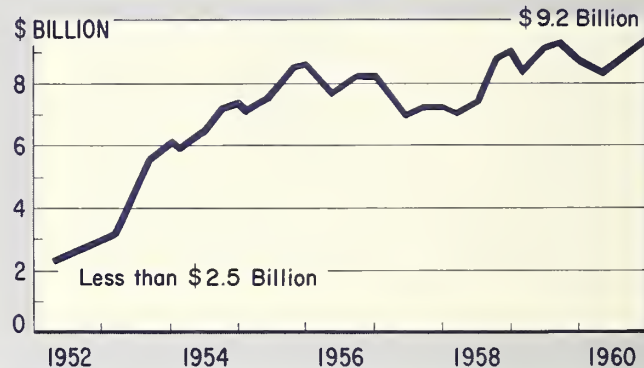
4.

ALTERNATIVES

NEW
PROGRAMS
OR
OLD?

PRICE SUPPORT INVESTMENT

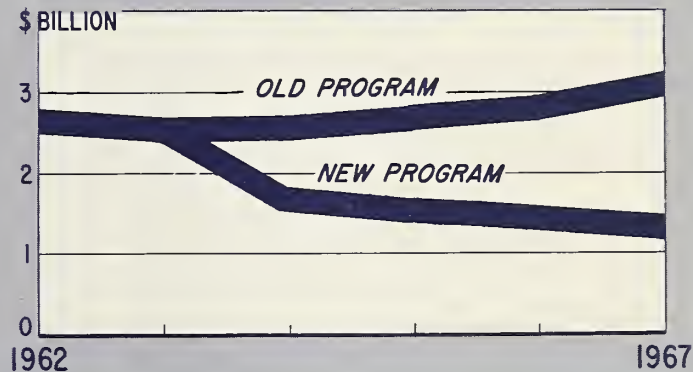
1952 - 1960



Assuming that we do not want the economic chaos of an absolutely free market, there remain two clear-cut alternatives: (1) A return to the programs in effect until this year, with their open-end commitment to support prices virtually without regard to the need for production adjustment. (2) New long-range programs that adjust production to need and provide fair returns to farmers. What would happen under the first alternative? Chart at left shows what *did happen* under such a program in the 1950's. Projection at right shows how Government obligations would rise under a return to those programs.

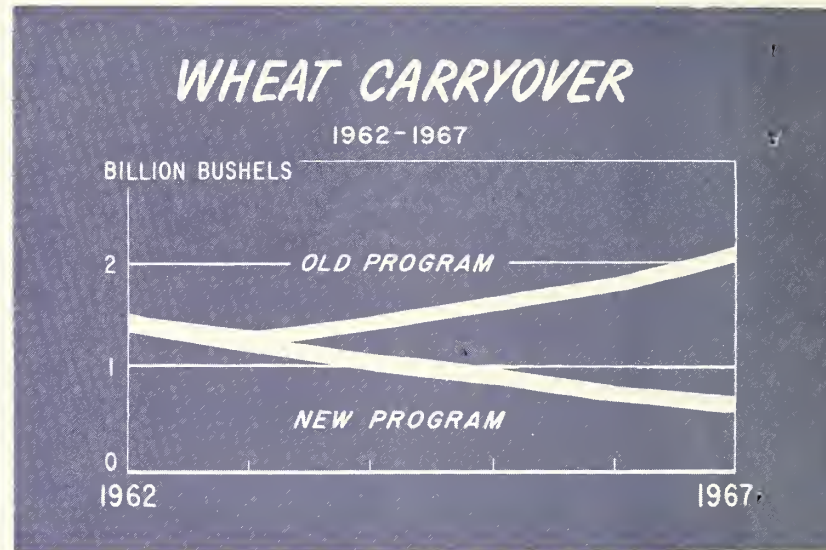
CCC EXPENDITURES FOR PRICE SUPPORT

1962 - 1967



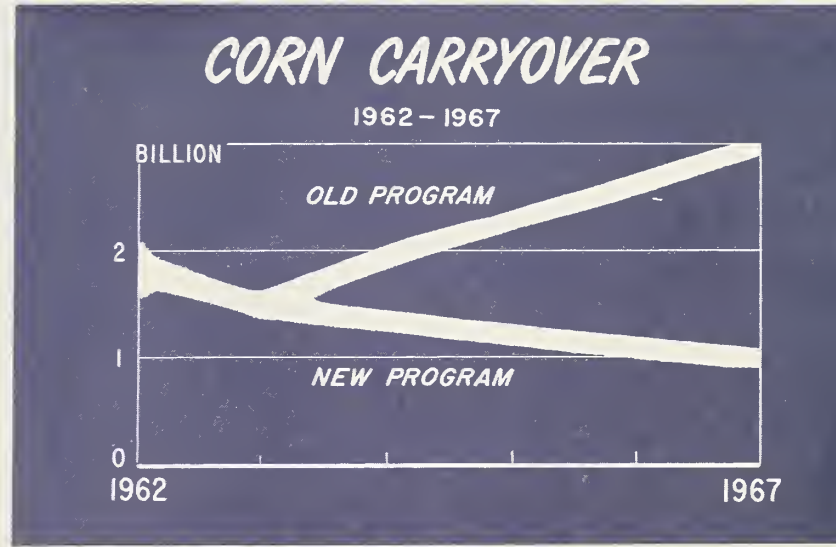
Projected carryovers

**Feed grain and wheat
supplies would rise
steadily under a
return to the outworn
programs of the 1950's.**



Under the old-type program, the wheat carryover would rise something like $\frac{3}{4}$ billion bushels between 1963 and 1967. Under the new program assumption, the wheat carryover could be decreased by more than $\frac{1}{2}$ billion bushels in the same period.

The corn carryover, under the old program, could be expected to rise almost $1\frac{1}{2}$ billion bushels between 1963 and 1967. Under the new program assumption, it could be decreased by more than $\frac{3}{4}$ billion bushels in those four years.



5.

**ACTION
NEEDED**

**PRESENT
PROGRAMS
ARE
TEMPORARY**

THE ONLY REALISTIC ALTERNATIVE



To adjust farm output to actual requirements at fair prices.

To reduce existing stocks to manageable levels.

The only realistic alternative, in developing farm programs for the future, is to take the route that promises a long-range solution to the twin problems

of low farm prices and high public costs. This envisions farm programs that do these things:

1. Reduce farm output to a level in line with our needs for domestic and overseas use—at prices that permit fair returns to farmers as well as fair and stable prices to consumers.

2. Provide some further reduction in the output of grains, particularly, to permit Government stocks to be reduced gradually to manageable levels.

3. Then adjust output expansion to the rate of demand expansion, so that we do not again slide into the awkward and costly situation we are in today.

This approach is embodied in the new programs developed in 1961—the Feed Grain Programs for 1961 and 1962, and the Wheat Stabilization Program for 1962. These programs are not in the final answer. They are temporary, and without new legislation in 1962, there will be an automatic return to the unsuccessful programs of the past few years.

New legislation is therefore called for—to provide new programs that go beyond 1962 for wheat and feed grains—and to deal realistically with additional commodities that are either in distress, or which are resulting in unreasonable costs to the public. Action is needed in 1962.

**This booklet was prepared by
the Office of the Secretary,
U.S. Department of Agriculture,
and is intended to clarify existing
farm policy problems and encourage
their discussion.**

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Issued January 1962 //

